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COMCAST CORPORATION

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March 25, 1998

Ex Parte

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service
CC Docket No. 96-45

Dear Ms. Salas:

On March 24, 1998, James R. Coltharp of Comcast Corporation met with Thomas Power in the office of Chairman Kennard. The purpose of the visit was to discuss issues raised in Comcast's Comments and Reply Comments in the above-referenced docket, as well as the recommendations in the attached paper, which were previously submitted to the record in this proceeding.

Please contact the undersigned if you have any questions.

Sincerely,

James R. Coltharp

James R. Coltharp

CC: Thomas Power

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Considerations and Recommendations for Determining Interstate Wireless Revenues for Universal Service Purposes

Interstate/Intrastate Allocation of Wireless Revenues.

The process of distinguishing between "interstate" and "intrastate" revenues is extremely difficult, if not impossible, to apply in the context of mobile services.

1. Wireless markets are neither licensed nor constructed with reference to state boundaries.
2. Over the past five years, the Commission actively encouraged the expansion of coverage areas and reduction of roaming barriers (in terms of rates and technology) in order to promote seamless wireless services.
3. Wireless carriers never have been required to maintain accounts on an intrastate basis in most states, and were deregulated from most state PUC oversight after amendments to 1993 Budget Act. Wireless carriers also do not utilize standardized systems of accounting.
4. Wireless traffic is by definition "mobile". As a result, use of telephone exchanges as the basis for distinguishing calls will not capture a caller's location, particularly in comparatively dense Northeast regions. For mobile traffic, the character of a call can change in mid-call as one travels from one state to another.
5. Wireless billings also include incoming calls. As a result, there is no way to easily capture interstate/intrastate nature of those events with any certainty as to the point of origin for the incoming call, especially from incoming calls on wireless services.
6. Carriers are assessed upon the roaming activity of their customers. All records with respect to the location of roaming callers and the destination of the call are within the control of a third party. Identification of "intrastate" calls made by a carrier's roamers is not feasible for jurisdictions in which the carrier is not licensed and therefore has no reporting obligations.

Considerations for Methodologies Used in Allocating Wireless Revenues.

Many assumptions are necessary in developing a methodology to determine "interstate" and "intrastate" revenues for wireless carriers. Each assumption involves a wide range of possible answers, which contributes to widely varying revenue estimates by wireless carriers.

- Current systems only permit generalized tracking of mobile-to-land calls. Because cell sites and switches -- which serve as potential origination points for traffic – may cover several states, assumptions based on traffic at these points in a wireless network are very imprecise, even though they might lead to a measurement of "interstate" traffic.

- Even if call destinations could be tracked by trunk groups or NPA-NXX for calls that are being routed to landline services, the appropriate definitions for incoming calls and roaming calls still must be established.

- Assumptions also are necessary regarding time periods for sampling calls, estimates of common intrastate and interstate calling patterns, as well as the patterns of land-to-mobile and mobile-to-mobile traffic.

Recommended Solutions.

1. Common Market Reporting. A predicate to determining a fair interstate/intrastate traffic percentage is the establishment of the relevant market size. Larger wireless carriers should not be able to average down their interstate percentage by including distant markets. The proper market for reporting purposes is the MTA. This market size is sufficiently large so as not to disrupt the consolidated operations of most wireless carriers, but would not discriminate against cellular and SMR carriers, or those holding licensees covering BTAs.

- Selecting the MTA is consistent with the Commission's previous analysis on the proper market for purposes of LEC-CMRS interconnection relationships.

- A competitively neutral solution requires allowing both wireline and wireless carriers to use relevant markets in which they actually operate. In the wireline context, LECs are established and operate, in general, by state. The MTA is consistent with operational structures for wireless carriers.

2. Mandate collection of a fixed charge from all wireless carriers. An established charge per subscriber unit (or per line) would be consistent with the approach adopted in the related context of the PICC with IXCs. A fixed charge also would eliminate competitive inequities associated with widely varying results from inconsistent assumptions in methodologies used by wireless carriers. The level of the charge could be set to provide for sufficient and consistent contributions to the USF. By permitting more competitively neutral and fair administration than the existing process, and ensuring greater certainty, a fixed charge would promote the continued development of competition in wireless markets. Further decreases in rates by carriers would be expected from wireless competition and likely would offset the fixed charge.

3. Establish a real fixed percentage for all wireless carriers. In lieu of fixed charges for all carriers, a percentage could be set for common application by wireless carriers -- either nationally, or MTA by MTA -- to determine interstate revenues. A fixed percentage assumes that wireless traffic is generally similar across competing carriers with similar systems and operations, and eliminates competitive inequities associated with varying assumptions among different methodologies. The percentage could be

set to provide for sufficient and consistent contributions to USF, drawing upon a review of the existing filings to USAC by wireless carriers.

- The Commission could permit carriers to seek waivers based upon significant and demonstrated deviations in traffic patterns.

- As a variation on or complement to this option, the Commission could require carriers to adopt a common methodology for determining interstate percentages, (e.g., based upon traffic as measured through designated trunk groups). The process of establishing an accurate methodology, however, likely would be extremely complicated and time consuming. A timely Commission response is extremely important in resolving uncertainty in competitive wireless markets. The selection of a common wireless methodology should be coupled with an interim, fixed percentage (as a proxy) to minimize uncertainty and avoid competitive inequities among wireless carriers.

4. Consistent approaches to identifying what constitutes "telecommunications revenues" for wireless carriers. Comcast recommends that carriers be permitted to deduct from gross revenues all revenues associated with information services whether separately billed or bundled in any service plan. The latter can be accomplished by permitting the fair market value of bundled information services to be deducted from applicable service plan revenues. The Commission also should permit bundled CPE to be deducted from service revenue.

5. A clear signal to "true up" past assessments. Having addressed the foregoing measures, the Commission must immediately announce its intention to review the various methodologies adopted by wireless carriers on FCC Form 457, and provide a mechanism to "true-up" past assessments.

Wireless services continue to become increasingly competitive within CMRS.

Entrants in the digital wireless voice market in Philadelphia already include Comcast, Bell Atlantic Mobile, Sprint, and Nextel. AT&T Wireless and Omnipoint are each expected in October/November 1997.

Philadelphia region is:
- 2nd highest in penetration (over 20% for total market, Comcast has 9.3% as of 1996)
- Among the lowest in pricing
- Among the lowest in revenue per subscriber at $49, including all revenue

Prices falling:
- Comcast digital service plans will be 15-40% lower than analog plans.

More flexible range of service:
- GroupTalk plan allows for lower rates for work groups.
- Service plans generally are more tailored to customer needs and preferences.

Wireless services continue to become increasingly competitive within CMRS. (continued)

Financial markets:

Compared to LECS, wireless services demonstate:

- lower market share,
- lower overall penetration,
- greater levels of competition,
- non-guaranteed rates of return.

As a result, expectations of financial markets are based on increased risk and evaluated on cash flow rather than (guaranteed) rates of return.

Technological and licensing differences compared to landline services:

Cost of building infrastructure is higher for landline replacement in more densely populated areas.

Calling areas and rate plans reflect deployment of infrastructure geared toward traffic centers and larger market size represented by licensed territories.

Affected by greater competition and mobility.